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Delta Community
CREDIT UNION

April 3, 2009

Mary Rupp, Secretary
NCUA Board of Directors
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Dear Members of the Board:

Delta Community Credit Union (DCCU) appreciates the opportunity to comment on NCUA's proposed rulemaking regarding the structure and operations of the corporate credit unions.

DCCU is a state-chartered credit union with $3 billion in total assets. Our credit union maintains ownership or investments in five corporate credit unions and uses the following services: wire transfer/settlement, investment purchasing/settlement, investing of overnight funds, lending of overnight liquidity, reverse repurchase lending, security safekeeping, check collection, share draft settlement, lockbox settlement, Visa DPS daily settlement and remote online deposit settlement. In addition, DCCU has two lines of credit (LOC) with corporate credit unions and draws upon the LOCs as needed.

Our replies for questions listed in your proposal are located below:

1. Role of Corporates in the Credit Union System

Questions: Should payment services be isolated from other services to separate risks? Should liquidity be considered a core service of the corporate system? Should NCUA return to defined field of memberships (FOM)? Should NCUA limit expanded investment authority? Is the current two-tiered corporate structure the best organizational structure for wholesale services?

Credit Union Response:

DCCU maintains the opinion that natural person credit unions of all sizes can receive cost effective and efficient payment and settlement pricing by centralizing these services through a limited number of competing regional corporate credit unions. It is unlikely that a stand-alone CUSO or a stripped down U.S. Central could efficiently support the settlement function for the entire industry without the supplemental earnings from balance sheet activities.

DCCU views liquidity, liquidity management and settlement services as an important role for regional corporate credit unions. We suggest that regional corporate credit unions be required to maintain a capital requirement at least equal to that of natural person credit unions. We advocate that regional corporate credit unions not have limitations regarding specific types of products and services. This will allow regional corporates to create their own unique business model and offer competitive pricing for natural person credit unions.

DCCU supports national FOMs and healthy pricing competition among a limited number of regional corporates. See Corporate Capital for capital requirements.

DCCU supports current expanded investment authority in which NCUA establishes investment concentration limits. In light of the current revelations within the financial marketplace, some tightening of investment authority may need to take place.

DCCU maintains the opinion that all credit unions will best be served by changing to a one-tiered organizational structure. Consider removing the U.S Central tier, reducing the number of corporates from 28 to a limited number of regional corporates and increase the capital requirements of regional corporates. This consolidated approach will strengthen capital, increase efficiencies, spread out risk and retain healthy competition.

2. Corporate Capital

Questions: Should NCUA establish a new/revised: core capital ratio? membership capital share structure? and risk-based capital structure for corporates?

Credit Union Response:

DCCU supports a multi-tier risk-based capital ownership structure with a multi-year implementation timeframe. A Basal-type structure will adequately weight capital based on the amount of risk undertaken by the corporate credit union. The NCUA should ensure the corporate network has access to a sufficient line of credit from the Treasury in the event of a financial crisis.

3. Permissible Investments

Questions: Should corporate investment authorities be limited to those allowed for natural person credit unions? Should certain categories, or specific, investments be prohibited?

Credit Union Response:

Corporate credit unions need to have investment authorities above and beyond the permissible investments of natural person credit unions. Many natural person credit unions have a need for the level of investment authority at corporate credit unions since most small and medium sized credit unions do not have the resources to house this expertise. Corporates should be required to not only have the level of expertise and proficient risk models to appropriately handle investment authority, but they should be properly examined and evaluated on this on a regular basis.

Part 704.5(h) sufficiently prohibits high-risk investment activities; however, NCUA should also establish investment concentration limits and tighten the characteristics of some currently authorized investment types.

4. Credit Risk Management

Questions: Should NCUA require more than one rating for an investment, or require that the lowest rating meet the minimum rating requirements of Part 704? Should additional stress modeling tools be required to monitor credit risk? Should Part 704 be revised to provide specific concentration limits? Should corporates be required to obtain independent evaluations of credit risk for investment portfolios?

Credit Union Response:

A multiple rating requirement can be a sound business practice if properly established and can be added to regulation, but requiring that the corporate always select the lowest rating may not be prudent globally.

DCCU strongly advocates that NCUA add the requirement of a periodic independent 3rd-party evaluation of credit and investment quality of corporate credit union investment portfolios. DCCU also recommends that a periodic independent review of the adequacy of a corporate's lines of credit be performed.

DCCU recommends investment concentration limits be established. DCCU advocates that NCUA maintain an approved list of multiple qualified contractors and consultants to perform this type of periodic analysis.

5. Assets Liability Management

Questions: Should NCUA require corporates to use monitoring tools to perform net interest income modeling and stress testing and testing for credit spread increases?

Credit Union Response:

Even though stress testing and income simulations are occurring at corporates now, additional testing and monitoring may be needed as evidenced by the current financial crisis.

6. Corporate Governance

Questions: Should: NCUA establish minimum standards for director experience and independence? "Outside directors" be allowed? NCUA change the structure of the retail and wholesale corporate board of directors? A wholesale corporate credit union be required to have some directors from natural person credit unions? NCUA impose term limits on directors, and, if so, what should the maximum term be? Corporate directors be compensated, and, if so, should such compensation be limited to outside directors only? NCUA allow members of corporates greater access to salary and benefit information for senior management?

Credit Union Response:

DCCU supports establishing standards based on experience/knowledge and independence, along with adequate continuing education. DCCU strongly supports that a percentage of "outside directors" be a requirement for corporate credit union boards. Natural person credit union directors may have representation on a wholesale corporate credit union board.

DCCU supports a position of having term limits for corporate directors, as well as scheduled rotations of officers of the board. DCCU also supports compensation for "outside directors" only. Exposing salary and benefit information to the public would not have any meaningful benefits.

Respectfully,

Rick Foley
President & CEO